

Why the trucking industry is being remade here (and it's not autonomous vehicles)

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John Pletz on
Tech



Photo by Getty Images Drivers navigate a highway outside Chicago, which has the second-largest number of truck drivers in the U.S. Trucking is an \$800 billion industry.

When Uber decided to get into freight, all roads led to Chicago. It started by hiring Bill Driegert, formerly chief innovation officer at Coyote Logistics, to head the company's effort to revolutionize trucking the way it has the taxi business. Uber added talent from a Chicago-based startup, 4Front. Then it built the majority of its national Uber Freight operations team here. And when Uber expanded its truck-booking app beyond a test market this month, [Chicago was among the handful of cities](#) to be included.

"When we look for talent, Chicago's at the top of the list," says Driegert, who spent two years at Amazon between leaving Chicago-based Coyote in 2014 and hiring on with Uber in San Francisco in September. "It's a great hub for logistics and ops talent. We knew that managing the whole country from San Francisco was going to be a challenge."

Mobile technology, Big Data and the internet of things are unleashing another wave of innovation in shipping in much the same way that the web upset conventional industry practices a decade ago and gave rise to local upstarts such as Echo Global Logistics and Coyote. And that's even before the first fleet of self-driving trucks hits the road.

"The notion of distribution is being reinvented," says Ajay Agarwal, a partner at Bain Capital Ventures in Palo Alto, Calif., who has made recent investments in Chicago startups. "For the last 50 years, it's been built around pallets.

The problem is consumers now want stuff shipped directly to their house. With that level of velocity and customized demand, you can't deal with pallets. It all creates massive opportunity for Chicago: You have domain expertise. The reality is shipping and logistics and supply chain is something you can't learn inside a tech company."

Chicago has the second-largest number of truck drivers in the U.S., behind New York, [according to Site Selection Group](#), a consulting firm in Dallas. And the industry has been growing fast. Logistics jobs grew 30 percent between 2010 and 2016, while trucking jobs increased 23 percent, according to the Chicago Metropolitan Agency for Planning.

The city's next generation of transportation tech startups is taking off, building on the success and reputations of companies like Coyote, which was [acquired by United Parcel Service](#) for \$1.8 billion two years ago (and still operates as an independent unit), and Echo, which was founded by Eric Lefkofsky and Brad Keywell in 2005, went public in 2009 and employs more than 1,500 people on the Near North Side.

"We started Coyote in Chicago in 2006 simply because Chicago is a great place to hire great talent," says Coyote CEO Jeff Silver, [who previously worked at American Backhaulers in Chicago](#). "My wife, Marianne, and I had looked at moving out to San Diego but stayed because she felt that we would not find the same kind of talent there."

Agarwal led [a \\$17.5 million investment](#) in Chicago-based ShipBob, which arranges shipping and warehousing for clients, and last fall was the lead investor in [a \\$13 million capital infusion](#) in FourKites, another Chicago startup that enables customers to track shipments. Project44, yet another Chicago logistics software startup, [pulled in \\$10.5 million](#) also last fall in a fundraising round led by Emergence Capital of San Mateo, Calif. Freight AI, a Chicago startup that's applying artificial intelligence to brokering shipments, recently raised \$850,000 in seed money.

"We are the logistics hub of the United States, and you've got a tech scene that's taking off here. Inevitably the two are gonna meet," says Kevin Willer, a partner at Chicago Ventures, which was an early investor in Project44.

Project44 founder Jett McCandless got his start at YRC Freight, one of the nation's largest trucking companies, in Chicago. Matt Elenjickal, founder of FourKites, was a logistics software integrator for Oracle and JDA Software.

"In terms of platform and analytics companies, I think we're at the forefront," says Hani Mahmassani, director of Northwestern University's Transportation Center.

There are competitors everywhere. Trucking is an \$800 billion industry that's extremely fragmented and set in its ways, so it's attracting talent and high-profile money. In Seattle, trucking software company Convoy is [backed by Bill Gates and Jeff Bezos](#), among others. [Mark Cuban is an investor](#) in a suburban Dallas logistics startup, Selery Fulfillment. And [Former Google CEO Eric Schmidt is a backer](#) of Roadie, an Atlanta-based consumer delivery startup.

"The disrupters aren't going to be Silicon Valley startups; it's going to be people like Echo and other companies that already have a market of shippers," says Echo CEO Doug Waggoner. "We move 15,000 shipments a day on other people's trucks. It's a perfect playground to layer on additional tech, analytics and AI. The future is not so much about new technology as algorithms and analytics and artificial intelligence."

History, geography and risk-taking startups are on Chicago's side.